

# Q&A: Impact of the U.S. Presidential Executive Order 13959 on MSCI Indexes

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## General Questions

### What has been MSCI’s treatment of securities impacted by U.S. Executive Order 13959?

As of the close of January 5, January 8 and January 26, 2021, MSCI deleted securities impacted by U.S. Executive Order 13959 from the MSCI Global Investable Market Indexes (GIMI).

### What did change with U.S. Executive Order 13959 on June 3, 2021?

The U.S. Executive Order 13959 was amended on June 3, 2021 (amended Order). The Office of Foreign Assets Control (OFAC) published an updated Non-SDN List of companies and related security tickers, known as the Non-SDN Chinese Military-Industrial Complex Companies List (NS-CMIC List). The OFAC also published a series of Frequently Asked Questions providing guidance regarding the amended Order.

### How will MSCI treat securities impacted by U.S. Executive Order 13959 as amended on June 3, 2021?

On July 8, 2021, MSCI announced that it will delete the securities included in OFAC’s NS-CMIC List from the MSCI ACWI Indexes as of the close of July 26, 2021 (effective July 27, 2021) in one step.

### When will changes be reflected in the MSCI Advance Corporate Events (ACE) files?

Changes will be reflected in the MSCI Advance Corporate Events (ACE) files starting July 9, 2021.

### Which securities will be excluded from the MSCI ACWI Indexes?

MSCI will exclude securities from the MSCI ACWI Indexes that are part of OFAC’s NS-CMIC List.

MSCI Security Code	RIC	Security Name	Deletion Date (as of close)
35946.04	601800.SH	CHINA COMMU CON A (HK-C)	1/5/2021
35946.01	1800.HK	CHINA COMMUNIC CONST H	1/5/2021
60088.03	601186.SH	CHINA RAIL CONST A(HK-C)	1/5/2021

60088.02	1186.HK	CHINA RAILWAY CONST H	1/5/2021
36812.02	600118.SH	CHINA SPACESAT A (HK-C)	1/5/2021
64314.02	002415.ZK	HANGZHOU HIKVIS A (HK-C)	1/5/2021
29098.01	0981.HK	SMIC	1/5/2021
22535.01	0941.HK	CHINA MOBILE	1/8/2021
27867.01	0728.HK	CHINA TELECOM CORP H	1/8/2021
23733.01	0762.HK	CHINA UNICOM	1/8/2021
24149.01	0883.HK	CNOOC	1/26/2021
28680.02	600879.SH	AEROSPACE TIMES A (HK-C)	7/26/2021
62650.02	600862.SH	AVIC AVIATION HI A(HK-C)	7/26/2021
61854.02	002179.ZK	AVIC JONHON OPTR A(HK-C)	7/26/2021
62140.02	600760.SH	AVIC SHENYANG A (HK-C)	7/26/2021
30206.02	000768.ZK	AVIC XI AN A (HK-C)	7/26/2021
62339.02	600372.SH	CHINA AVIONICS A (HK-C)	7/26/2021
63563.02	601989.SH	CHINA SHIPB IND A (HK-C)	7/26/2021

## What treatment will MSCI apply to securities which are no longer impacted under the amended Order?

Securities which are no longer impacted under the amended Order will become eligible for potential inclusion in the MSCI ACWI Indexes starting from the August 2021 Quarterly Index Review.

Addition of such securities in the MSCI ACWI Indexes as part the August 2021 Quarterly Index Review will be subject to the securities meeting all necessary requirements for new companies, as described in section 3.2.2 of the MSCI Global Investable Market Indexes (GIMI) Methodology.

## Which securities previously deleted from the MSCI ACWI Indexes are no longer impacted by the amended Order?

MSCI Security Code	RIC	Security Name	Deletion Date (as of close)
28348.02	600050.SH	CHINA UTD NETWK A (HK-C)	1/5/2021
61687.03	601766.SH	CRRC CORP A (HK-C)	1/5/2021
61687.02	1766.HK	CRRC CORP H	1/5/2021
77520.02	603019.SH	DAWNING INFO A (HK-C)	1/5/2021

## Will the MSCI China All Shares Indexes be subject to the same treatment as the MSCI ACWI Indexes?

Yes. MSCI will delete the securities included in OFAC’s NS-CMIC List from the MSCI China All Shares Indexes as of the close of July 26, 2021 (effective July 27, 2021) in one step.

In addition, securities which are no longer impacted under the amended Order will become eligible for potential inclusion in the MSCI China All Shares Indexes starting from the August 2021 Quarterly Index Review. Addition of such securities in the MSCI China All Shares Indexes as part the August 2021 Quarterly Index Review will be subject to the securities meeting all necessary requirements for new companies, as described in section 3.2.2 of the MSCI Global Investable Market Indexes Methodology.

## Which securities will be excluded from the MSCI China All Shares Indexes?

MSCI will exclude securities from the MSCI China All Shares Indexes that are part of OFAC’s NS-CMIC List.

MSCI Security Code	RIC Code	Security Name	Deletion Date (as of close)
35946.03	601800.SS	CHINA COMMUNIC CONST A	1/5/2021
35946.01	1800.HK	CHINA COMMUNIC CONST H	1/5/2021
60088.01	601186.SS	CHINA RAILWAY CONST A	1/5/2021
60088.02	1186.HK	CHINA RAILWAY CONST H	1/5/2021
36812.01	600118.SS	CHINA SPACESAT A	1/5/2021
64314.01	002415.SZ	HANGZHOU HIKVISION DIG A	1/5/2021
34563.02	600775.SS	NANJING PANDA ELECTRS A	1/5/2021
29098.01	0981.HK	SMIC	1/5/2021
29098.03	688981.SS	SMIC A	1/5/2021
22535.01	0941.HK	CHINA MOBILE	1/8/2021
27867.01	0728.HK	CHINA TELECOM CORP H	1/8/2021
23733.01	0762.HK	CHINA UNICOM	1/8/2021
24149.01	0883.HK	CNOOC	1/26/2021
28680.01	600879.SS	AEROSPACE TIMES ELECTR A	7/26/2021
36809.01	600501.SS	AEROSUN CORP A	7/26/2021
96793.01	601606.SS	ANHUI GREATWALL A	7/26/2021
62650.01	600862.SS	AVIC AVIATION HIGH A	7/26/2021
61789.01	600765.SS	AVIC HEAVY MACHINERY A	7/26/2021

61854.01	002179.SZ	AVIC JONHON OPTRONIC A	7/26/2021
62140.01	600760.SS	AVIC SHENYANG AIRCRAFT A	7/26/2021
30206.01	000768.SZ	AVIC XI AN AIRCRAFT A	7/26/2021
97327.01	300474.SZ	CHANGSHA JINGJIA A	7/26/2021
62339.01	600372.SS	CHINA AVIONICS SYSTEMS A	7/26/2021
61986.01	600482.SS	CHINA SHIPBUILDING A	7/26/2021
63563.01	601989.SS	CHINA SHIPBUILDING IND A	7/26/2021
62385.01	002189.SZ	COSTAR GROUP CO A	7/26/2021
78349.01	603678.SS	FUJIAN TORCH ELECTRON A	7/26/2021
62229.01	002025.SZ	GUIZHOU SPACE APPL A	7/26/2021
36805.01	600316.SS	JIANGXI HONGDU AVIAT A	7/26/2021
16904.01	003009.SZ	SHAANXI ZHONGTIAN A	7/26/2021
97646.01	300114.SZ	ZHONGHANG ELECT A	7/26/2021

### Which securities previously deleted from the MSCI China All Shares Indexes are no longer impacted by the amended Order?

MSCI Security Code	RIC Code	Security Name	Deletion Date (as of close)
28348.01	600050.SS	CHINA UTD NETWK COMMU A	1/5/2021
61687.01	601766.SS	CRRC CORP A	1/5/2021
61687.02	1766.HK	CRRC CORP H	1/5/2021
77520.01	603019.SS	DAWNING INFORMATION A	1/5/2021
99078.01	688012.SS	ADV MICRO FABRICATION A	3/12/2021

### Will the securities be excluded from the MSCI Factor, ESG, Thematic and Capped Indexes?

Yes. The securities will be excluded from the MSCI Factor, ESG, Thematic and Capped Indexes that have the MSCI ACWI Indexes or the MSCI China All Shares Indexes as underlying or parent index.

### Will MSCI apply the same treatment in MSCI Factor, ESG, Thematic and Capped Indexes for securities which are no longer impacted under the amended Order?

Securities which are no longer impacted under the amended Order will become eligible for potential inclusion in the MSCI Factor, ESG, Thematic and Capped Indexes

that have the MSCI ACWI Indexes or the MSCI China All Shares Indexes as underlying or parent index, starting from the August 2021 Quarterly Index Review, subject to the relevant index inclusion methodology.

### **Will the securities be excluded from the MSCI Custom Indexes?**

Yes. The securities will be excluded from the Custom Indexes that have the MSCI ACWI Indexes or the MSCI China All Shares Indexes as underlying or parent index. If another treatment is requested, parallel versions of current custom indexes will also be available upon request.

### **Will the same treatment be applied on the MSCI China A and China A RMB Indexes?**

Yes. The securities will be excluded from the MSCI China A and China A RMB Indexes.

Similarly, securities which are no longer impacted under the amended Order will become eligible for potential inclusion in the MSCI China A and China A RMB Indexes starting from the August 2021 Quarterly Index Review.

### **Will the same treatment be applied on the MSCI China A Onshore Indexes?**

No. MSCI will not delete securities from the MSCI China A Onshore Indexes in connection with U.S. Executive Order 13959.

### **Has MSCI made available a list of impacted indexes?**

Yes. The list of impacted MSCI Indexes is available on: <https://www.msci.com/index-consultations>

### **How will MSCI treat similar sanctions in the future?**

One of the central objectives of the MSCI GIMI is to provide a strong emphasis on investability and replicability for the global investment community. While the treatment highlighted in this document is specific to the impact of U.S. Presidential Executive Order 13959, MSCI will further evaluate the inclusion of explicit methodological directives to address sanctions from a broader perspective. As appropriate, MSCI will consult with global market participants on any proposals related to address these within the scope of the MSCI GIMI methodology.



## What will MSCI do should there be further clarifications from official sources?

Any updates or modifications to the above referenced list of securities, made through a communication released by the Office of Foreign Assets Control (OFAC) will also be deleted from the MSCI GIMI, from related non-market capitalization weighted indexes and from relevant custom indexes. MSCI would issue a separate announcement detailing the treatment related to these updates.

## Did MSCI seek feedback from clients with regards to U.S. Executive Order 13959?

MSCI extended a broad outreach and collected feedback from market participants globally from November 20 to December 4, 2020 in relation to the Order.

Based on feedback from more than 100 U.S. and non-U.S. market participants, the Order may have a significant impact on the investment processes of global investors. Consultation participants highlighted that the ramifications of the Order would effectively challenge the investability of the impacted securities from the perspective of international institutional investors. In particular, non-U.S. market participants noted that the extensive presence of US entities, such as commercial banks, broker-dealers, and custodians, within their chain of financial intermediaries would significantly limit their ability to transact in the impacted securities.

## Does MSCI provide indexes that include names excluded from the MSCI GIMI due to U.S. Executive Order 13959?

MSCI launched a number of global, regional and country indexes (e.g., ACWI, Emerging Markets, China) that continue to retain the securities deleted from the MSCI GIMI due to the Order.

Parallel versions of current custom indexes are also available upon request.

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